

Mr. Frank E. Pinckney  
Director of Reimbursement and Budget  
Lutheran Homes of South Carolina, Inc.  
300 Ministry Drive  
Irmo, South Carolina 29063

Re: AC# 3-LMN-J7 – South Carolina Synod, Lutheran Church in America, Inc.  
d/b/a Lowman Home, Inc.

Dear Mr. Pinckney:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**SOUTH CAROLINA SYNOD,  
LUTHERAN CHURCH IN AMERICA, INC.  
D/B/A LOWMAN HOME, INC.**

**WHITE ROCK, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1998  
AC# 3-LMN-J7**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 26, 1999

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with South Carolina Synod, Lutheran Church in America, Inc. d/b/a Lowman Home, Inc., for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by South Carolina Synod, Lutheran Church in America, Inc. d/b/a Lowman Home, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and South Carolina Synod, Lutheran Church in America, Inc. d/b/a Lowman Home, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
October 26, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.**  
**D/B/A LOWMAN HOME, INC.**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1998  
AC# 3-LMN-J7

	<u>10/01/98-</u> <u>11/30/98</u>	<u>12/01/98-</u> <u>09/30/99</u>
Interim reimbursement rate (1)	\$98.44	\$99.19
Adjusted reimbursement rate	<u>96.31</u>	<u>97.06</u>
Decrease in reimbursement rate	\$ <u><u>2.13</u></u>	\$ <u><u>2.13</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.  
D/B/A LOWMAN HOME, INC.**

Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1998 Through November 30, 1998  
AC# 3-LMN-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$46.39	\$48.65	
Dietary		10.29	9.44	
Laundry/Housekeeping/Maint.		<u>10.47</u>	<u>7.70</u>	
Subtotal	\$ <u>-</u>	67.15	65.79	\$65.79
Administration & Med. Rec.	\$ <u>-</u>	<u>16.65</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		83.80	<u>\$76.17</u>	76.17
<u>Costs Not Subject to Standards:</u>				
Utilities		3.90		3.90
Special Services		.54		.54
Medical Supplies & Oxygen		3.79		3.79
Taxes and Insurance		.49		.49
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$92.52</u>		84.89
Inflation Factor (3.60%)				3.06
Cost of Capital				8.11
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$96.31</u>

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.  
D/B/A LOWMAN HOME, INC.**

Computation of Adjusted Reimbursement Rate  
For the Contract Periods December 1, 1998 Through September 30, 1999  
AC# 3-LMN-J7

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<b>TOTAL</b>		<u>\$92.52</u>		84.89
Inflation Factor (3.60%)				3.06
Cost of Capital				8.11
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage & CNA Add-Ons				<u>1.00</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$97.06</u>



**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.  
D/B/A LOWMAN HOME, INC.**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-LMN-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$3,005,810	\$ -	\$ 45,511 (4) 4,804 (4) 56,607 (5) 8,042 (5)	\$2,890,846
Dietary	651,155	5,225 (3)	5,668 (4) 9,251 (5)	641,461
Laundry	144,165	1,175 (3)	2,348 (4) 3,833 (5)	139,159
Housekeeping	346,694	-	5,276 (4) 8,611 (5)	332,807
Maintenance	185,341	-	1,744 (4) 3,046 (5)	180,551
Administration & Medical Records	1,050,205	-	3,981 (4) 904 (4) 6,497 (5) 1,475 (5)	1,037,348
Utilities	242,794	-		242,794
Special Services	37,380	-	1,468 (4) 2,395 (5)	33,517
Medical Supplies & Oxygen	309,098	-	61,872 (3) 1,042 (4) 1,700 (5) 8,383 (6)	236,101

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.  
D/B/A LOWMAN HOME, INC.**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-LMN-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes & Insurance	57,982	-	27,642 (2)	30,340
Legal Fees	-	-	-	-
Cost of Capital	530,433	3,044 (1)	25,718 (1)	505,278
			<u>2,481 (7)</u>	
Subtotal	6,561,057	9,444	300,299	6,270,202
Ancillary	396,019	-	-	396,019
Non-Allowable	1,577,515	22,674 (1) 27,642 (2) 54,254 (3) 72,746 (4) 101,457 (5) 4,225 (6) <u>2,481 (7)</u>	-	1,862,994
Total Operating Expenses	<u>\$8,534,591</u>	<u>\$294,923</u>	<u>\$300,299</u>	<u>\$8,529,215</u>
TOTAL PATIENT DAYS	<u>62,313</u>	<u>-</u>	<u>-</u>	<u>62,313</u>
TOTAL BEDS	<u>176</u>			

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.  
D/B/A LOWMAN HOME, INC.**

Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-LMN-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$115,362	
	Cost of Capital - Depreciation Expense	3,044	
	Nonallowable	22,674	
	Other Equity	4,908	
	Cost of Capital - Amortization Expense		\$ 25,718
	Accumulated Depreciation		120,270
	To adjust fixed assets and to adjust cost of capital for the policy effective July 1, 1989 State Plan, Attachment 4.19D		
2	Nonallowable	27,642	
	Taxes and Insurance		27,642
	To adjust to allowable HIM-15-1, Section 2304		
3	Nonallowable	54,254	
	Fund Balance	1,218	
	Dietary	5,225	
	Laundry	1,175	
	Medical Supplies		61,872
	To remove undocumented expense and properly classify expenses HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	72,746	
	Nursing		45,511
	Restorative		4,804
	Dietary		5,668
	Laundry		2,348
	Housekeeping		5,276
	Maintenance		1,744
	Administration		3,981
	Medical Records		904
	Medical Supplies		1,042
	Special Services		1,468
	To adjust salaries expense for unaccountable variance HIM-15-1, Section 2304		

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.  
D/B/A LOWMAN HOME, INC.**

Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-LMN-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
5	Nonallowable	101,457	
	Nursing		56,607
	Restorative		8,042
	Dietary		9,251
	Laundry		3,833
	Houskeeping		8,611
	Maintenance		3,046
	Administration		6,497
	Medical Records		1,475
	Medical Supplies		1,700
	Special Services		2,395
	To adjust fringe benefits and related allocation to allowable HIM-15-1, Section 2304		
6	Personal Items Income	4,158	
	Nonallowable	4,225	
	Medical Supplies		8,383
	To disallow expense reimbursed separately and to offset expense with income State Plan, Attachment 4.19D		
7	Nonallowable	2,481	
	Cost of Capital		2,481
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$420,569	\$420,569

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.  
D/B/A LOWMAN HOME, INC.**

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
AC# 3-LMN-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>176</u>
Deemed Asset Value	5,996,144
Improvements Since 1981	309,332
Accumulated Depreciation at 9/30/97	<u>(942,741)</u>
Deemed Depreciated Value	5,362,735
Market Rate of Return	<u>0.067</u>
Total Annual Return	359,303
Return Applicable to Non-Reimbursable Cost Centers	(568)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	358,735
Depreciation Expense	191,619
Amortization Expense	7,788
Capital Related Income Offsets	(52,568)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(296)</u>
Allowable Cost of Capital Expense	505,278
Total Patient Days (Minimum 97% Occupancy)	<u>62,313</u>
Cost of Capital Per Diem	\$ <u><u>8.11</u></u>

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.**  
**LOWMAN HOME, INC.**

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
AC# 3-LMN-J7

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>-</u>
Reimbursable Cost of Capital Per Diem	\$8.11
Cost of Capital Per Diem	<u>8.11</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>